figure A. is a box

GEMINI CORPORATION 2002 *annual report*

CORPORATE PROFILE Gemini Corporation (Gemini) is a Calgary-based company supplying a wide range of services primarily to the oil and gas industry in Canada and internationally. The Corporation conducts business in four operational areas through three wholly-owned subsidiaries. Engineering services are provided by Gemini Engineering Inc. and its GEM Production Management division. Fabrication services and construction services are provided by Kinetic Projects Ltd. Operations support is provided by GEM Production Management, and electrical and instrumentation services are provided by Vector Power and Automation Ltd.. Through innovation and the practical application of technology, Gemini provides products and services that add value to its clients' businesses. Combined, the four entities complement each other and service a broad range of needs for their clients.

The ability to adapt to the differing needs of each client and each project have contributed to Gemini's success. The Corporation's culture is a major factor in its ability to attract and retain top quality staff. The resulting stability has gained Gemini a high level of respect in its industry and has resulted in above average activity levels. This in turn permits the Corporation to achieve its goal of maximizing shareholder value. *Gemini Corporation trades on the TSX Venture Exchange under the symbol GKX.*

OUR COMPETITORS ASK YOU "WHICH BOX DO YOU WANT?"

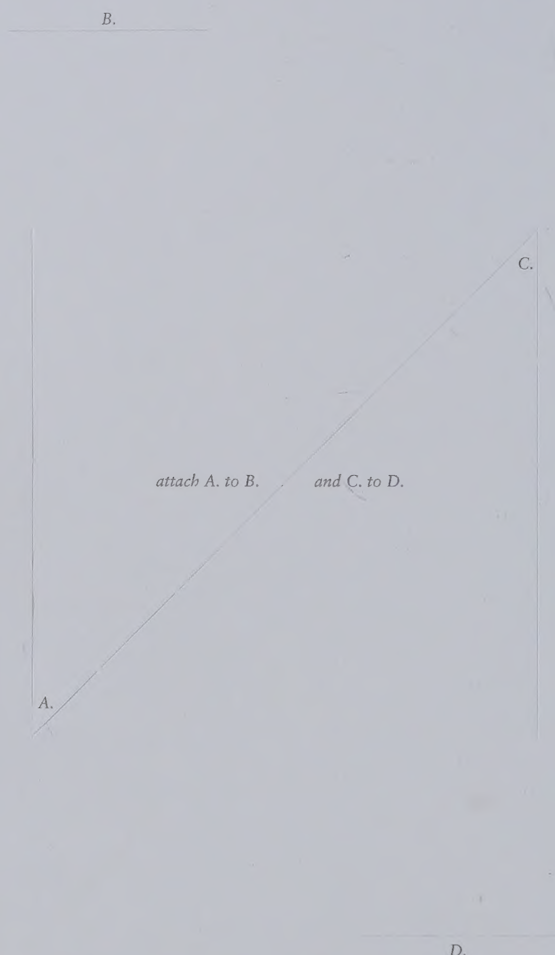
AT GEMINI, WE ASK

figure A.

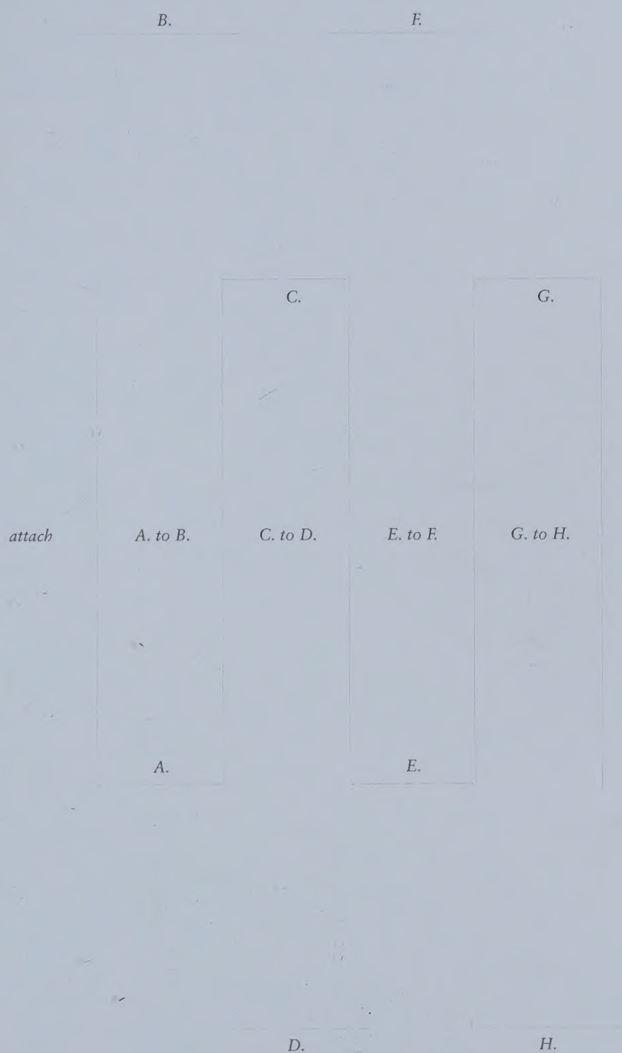
"WHERE ARE YOU HEADED WITH YOUR BOX?" We want a picture of your project before we begin to develop a solution. We need to understand what your business does, what your goals are and how the project we're discussing fits in to the overall future of your business.

figure C.

figure B.



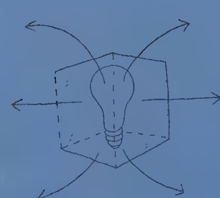
"WHAT DO YOU WANT YOUR BOX TO DO?" Once we work together to define what you need, we look at the options for delivering a solution. We define what you need the project to deliver today and tomorrow. We look for efficiencies in design, construction and operations. We want your "box" to grow with your business and to keep helping your business grow.


B.
F.
C.
G.
attach
A. to B.
C. to D.
E. to F.
G. to H.
A.
E.
D.
H.

"WHAT SOLUTION CAN WE CREATE TOGETHER TO MEET YOUR BUSINESS GOALS?"

Our competitive advantage is our creativity. We bring best-in-class technical skills to every project, and we combine those skills with an innovative, collaborative approach to engineering, fabrication and construction. There are many ways to meet a client's need. At Gemini, we look at "boxes" from several angles to find the right solution – or combination of solutions – for you.

lift



Gemini Corporation was partially impacted by the general downturn in the oil and gas services industry during 2002. While our engineering operations were able to achieve 18% growth during the industry downturn, our fabrication and construction operations experienced significantly reduced business volumes.

In late 2001, we began to refocus the Corporation to increase market share in all operational areas. Our first initiative in this respect was to restructure sales and marketing in anticipation of the year ahead gaining momentum after a slow start. During 2002, we strengthened our fabrication and construction operations by bringing in personnel with specific experience in each of these disciplines. As a part of this, we initiated a strategy to make the fabrication and construction operations function more independent of each other. Because this transition took some time and because the improvements in industry activity levels were delayed, the performance of these operations was impacted. However, without this investment for the future, the Corporation would not be positioned to take advantage of the increased industry activity we are anticipating for 2003.

Despite the less than optimal operating environment, Gemini did achieve some positive results. Major projects undertaken in 2002 included developing the detailed process design of the gas processing unit for a heavy oil upgrader near Fort McMurray. On this project, we worked in conjunction with a major engineering contractor and provided our client with timely, cost-effective and high-quality work. The success of this project increased our industry presence.

Our small projects and operations group completed an operations plan, expanded a gathering system and improved downhole efficiencies for a junior producer. Through these efforts the client gained new confidence in its property that has spurred additional expansion plans for 2003. Gemini will continue to service this growth.

Fabrication activities included completing a major valve order for coking plants to be installed in a number of U.S. refineries. These valves will increase coking capacity by 20 to 30% and improve the safety of the operations. This market is expected to continue to expand.

We reduced operating costs by 40% at our Burstall, Saskatchewan compression/dehydration facility by restructuring our work program. This initiative did not impact the integrity of the operation and onstream time remained above the industry average.

RENEWED FOCUS THE PAST YEAR WAS ONE OF CHALLENGES FOR ALL IN THE OIL AND GAS SERVICES SECTOR. DESPITE RELATIVELY POSITIVE COMMODITY PRICES, ESPECIALLY DURING THE SECOND HALF OF THE YEAR, EXPLORATION AND DEVELOPMENT ACTIVITY DECLINED COMPARED TO THE PRIOR YEAR. THIS NEGATIVELY IMPACTED DRILLING, PIPELINE INSTALLATION AND FACILITIES CONSTRUCTION.

During the year, the Corporation also upgraded its information systems capabilities with major additions to both hardware and software resources. The expansion should serve our needs for the foreseeable future.

Gemini Corporation continues to seek additional opportunities and therefore maintains an active involvement in new and developing technologies and industries. One strategy is to pursue projects that are aimed at providing environmental solutions. These activities generally require longer lead times to develop into contracts of significance. However, as we become recognized as a leader of innovation we see more opportunities. To date we have been working on several fronts, including:

- Biowaste handling – operating a pilot facility at our Ponoka site
- Wind Power – acquired an equity position in a green energy company
- Elemental plant sulphur nutrient – client-authorized submission of application for a new facility with start up scheduled for early 2004
- Water Treatment – finalizing a memorandum of understanding with a major international firm to undertake supply of water treatment facilities
- Sulphur Recovery Technology – marketing support for installation of new sulphur recovery technology that has the potential to reduce SO_2 emissions

These activities are expected to become growth markets as a result of the increasing focus on environmental responsibility.

FINANCIAL RESULTS

Revenues for the year ended December 31, 2002 decreased 28% to $18.8 million from $26.0 million for the year ended December 31, 2001. This reduction was primarily the result of decreased exploration and development spending causing a decline in oilfield construction and fabrication activity levels. While engineering revenues grew, gross margin for 2002 decreased 17% to $4.9 million from $5.9 million in 2001. Gemini recorded a net loss of $389,596 in 2002 compared to net earnings of $996,524 in the prior year. Cash flow from continuing operations

I. Restructure the engineering operations to enable the Corporation to undertake larger projects.

PERFORMANCE

This plan was in place early in the year and we were able to add additional personnel throughout the year to strengthen our capabilities.

We doubled our process experience over the year, which permitted the engineering team to become involved in two major process studies, one involving work on a heavy oil upgrader and the other a liquids recovery optimization study. We expect at least one of those studies to develop into a firm project in 2003.

THREE PRIMARY OBJECTIVES

decreased 106% resulting in negative cash flow of $107,805 compared to positive cash flow of $1.9 million in 2001. The Corporation recorded working capital of $502,284 in 2002 compared to $1.4 million in the previous year. Gemini reduced its long-term debt by 7% to $1.7 million from $1.82 million in 2001.

FOCUSING ON THE YEAR AHEAD

While the costs involved in restructuring underlay much of the losses experienced by Gemini in 2002, I believe we are now better positioned than at any previous time in our history to move forward. We are already experiencing the benefits of refocusing on service and innovation.

The financial goal of the Corporation is to return to pre-2002 revenue and earnings levels. We have a strong and active client base that will form the foundation for reaching this objective. We expect that continued marketing activities will add new opportunities for the Corporation. We also expect to realize benefits from our involvement in new technologies and anticipate our initial work on projects involving biowaste, sulphur-based fertilizers and water treatment to begin in 2003. In addition we are working to develop opportunities in wind power.

ACKNOWLEDGEMENTS

All of us at Gemini Corporation were saddened by the loss of Mr. Paul Lawrence, CET, who passed away in late July. Paul joined Gemini in 1995 and was a strong contributor to the Corporation. We extend our sympathy to his family.

I would like to thank Mr. Warren Fast for his contributions during the past twelve years. Warren resigned in July as an Officer of Gemini Corporation and General Manager of Kinetic Projects.

I would also like to express my appreciation to our employees for their diligence and hard work, to our Board of Directors for their leadership and to our shareholders for their continued support.

Carl Johnson, *President & Chief Executive Officer*
April 7TH, 2003

2. Increase sales resources for all operations.

PERFORMANCE

Late in 2001 we had restructured marketing in each operation to permit an approach focused on the needs specific to each service. Due to the reduced business climate in 2002, limited success was achieved. However, the improvement we are experiencing in early 2003 can be attributed to the efforts of the sales forces in 2002 and the general upturn in activity starting in the beginning of 2003. In all of 2002, we added two new clients. In the first six weeks of 2003 we have added three new clients with two more pending.

3. Restructure the fabrication and construction operations to operate independently of each other.

PERFORMANCE

Although this work was in the planning stages early in the year, it was accelerated mid year. We had been waiting for an upswing in activities before adding additional personnel, but abandoned this strategy and, by the third quarter, had staffed the fabrication group. Through this restructuring we effectively added an additional 25 years' senior level experience in fabrication and 30 years' experience in construction experience, an overall tripling of senior-level experience of our team.

By the end of 2002, we had identified work opportunities that are expected to increase revenue levels to those of 2001.

By year-end, we had completed reorganizing the construction group.

THE KYOTO PROTOCOL CANADA'S TARGET UNDER THE KYOTO PROTOCOL IS TO REDUCE ITS GREENHOUSE GAS EMISSIONS TO 6 PERCENT BELOW 1990 LEVELS BY THE PERIOD BETWEEN 2008 AND 2012. THIS WILL BE ACHIEVED PARTIALLY THROUGH THE INNOVATIVE HARNESSING OF ENVIRONMENTALLY FRIENDLY ENERGY SOURCES SUCH AS WIND AND SOLAR POWER. AND THIS WILL BE ACCOMPLISHED BY INNOVATIVE COMPANIES LIKE GEMINI THAT ARE ALREADY WORKING IN THIS SECTOR.

GEMINI CORPORATION

figure a.
Gemini Engineering Inc.
engineering, procurement, construction management

figure a.1
GEM Production Management
engineering, operations

figure b.
Kinetic Projects Ltd.
fabrication, construction

f :
Vector Power + Automation Ltd.
electrical, controls, instrumentation

CORPORATE

Although Gemini Corporation comprises three wholly-owned subsidiaries, Gemini Engineering Inc., Kinetic Projects Ltd. and Vector Power and Automation Ltd., it operates as an integrated company providing innovation in engineering, fabrication, construction and operations. Projects in any or all of these areas will draw on the expertise and resources of one or more of the Corporation's subsidiaries to complete a project to the customer's satisfaction.

ENGINEERING

Gemini's engineering services are provided by Gemini Engineering Inc. (GEI) and GEM Production Management (GEM). Operationally, the two subsidiaries are very similar, with the primary difference being their target markets. GEI focuses on larger projects for larger, senior producers and while GEM focuses on fast-track, low-overhead projects for smaller producers.

Gemini Corporation's primary competitive advantage in engineering projects is the high quality of its service and the flexible manner of undertaking projects.

Operating Environment

Over the past few years, GEI has successfully targeted larger companies and select markets, such that even with the general decrease in industry activity during 2002, growth was realized.

Key Achievements in 2002

- met operational goals and financial targets for 2002
- maintained core clients over the year
- successfully managed $185 million worth of capital projects on behalf of the Corporation's clients
- awarded contract for process study of gas treating unit of heavy oil upgrader project
- added significant technical expertise to the engineering team

Projects for 2002

A significant amount of Gemini's volume related to connecting wells into existing infrastructure. The engineering group also designed several compression facilities, upgraded processing facilities, and planned for new developments. In line with upgrading our in-house capabilities, the Corporation undertook two significant process studies through the year, one of which is expected to develop into a firm project during 2003. The efforts of Gemini staff assisted one client in resolving difficult landowner issues. The producer has begun to plan for further development in the area since the risk associated with landowner concerns has been all but eliminated.

Outlook for 2003

Gemini is looking to further increase its engineering revenues in 2003. The Corporation is continuing to expand its heavy oil presence. It is also expected that smaller producers will be more active, and the Corporation is positioned to continue servicing this sector.

ENGINEERING SERVICES

- *Feasibilities Studies*
- *Process Studies*
- *Project Management*
- *Detailed Design*
- *Construction Management*
- *Regulatory Approvals*
- *Public Consultation*
- *Hazards & Operability Studies*
- *Site Selection*

FABRICATION

Gemini's fabrication services are provided by Kinetic Projects Ltd. This wholly owned subsidiary began operations in 1987 and has manufacturing facilities in Ponoka, Alberta. Fabrication services, provided separately or in combination with construction services, include modular plant designs and custom equipment manufacturing.

The fabrication group enjoys several competitive advantages in obtaining contracts. These include the company's solid reputation, short delivery times, high quality of its products, and its capabilities in specialty fabrication.

Operating Environment

The core of Gemini's fabrication business is oil and gas industry related projects. Lower commodity prices in 2001 and early 2002 led to reduced drilling activity and with fewer wells drilled, less facilities and fabrication work was available, resulting in downward pressure on prices and profits. In response to this, Gemini forged a strong relationship with a U.S.-based valve supplier for large, custom-manufactured alloy valves, a market not impacted by commodity prices. In addition, Gemini increased its sales efforts in the EPC market and successfully obtained contracts late in the year to provide engineering, fabrication and construction services.

Key Achievements in 2002

- restructured the fabrication unit
- hired a Manager of Fabrication
- implemented additional estimating and project controls
- realigned and augmented shop personnel
- entered filtration market with a major filtration supplier

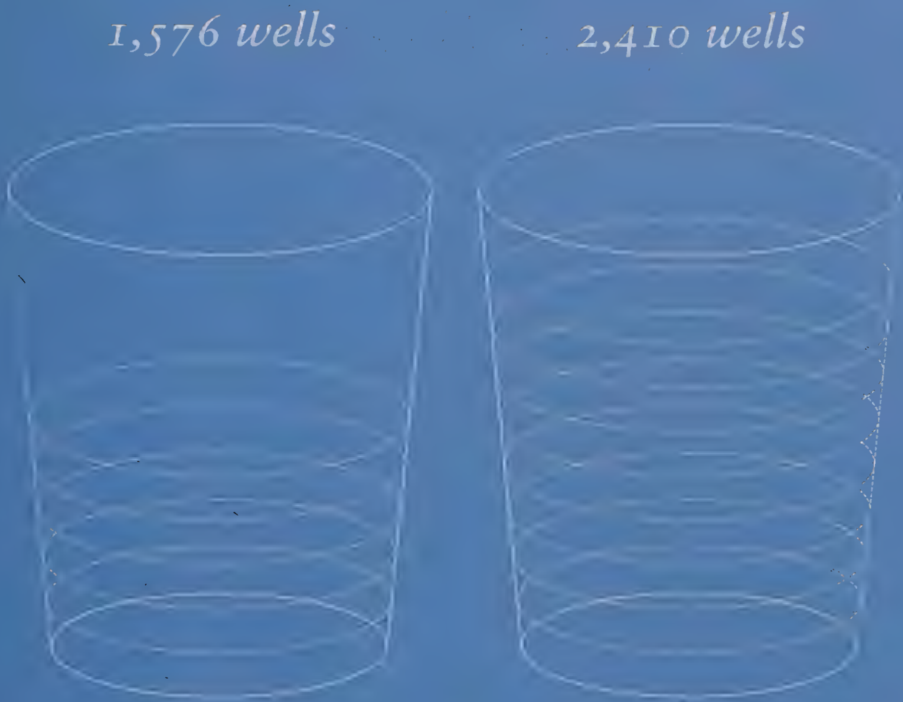
Projects for 2002

- fabricated multiple 60-inch diameter, chrome alloy valves that required specialized welding processes and manufacturing techniques. Gemini developed and built special equipment in its Ponoka facility in order to execute this project
- designed and fabricated gas handling equipment for a variety of wellsite applications

Outlook for 2003

The primary objectives for the fabrication business are to return to 2001 activity levels, improve profitability and identify new products that could be fabricated by our shop and installed and serviced by the Corporation. Gemini is in the process of introducing additional procedures relating to each of the manufacturing, marketing, project management, purchasing and quality assurance aspects of its operations. The Corporation also plans to improve internal efficiencies through manufacturing and project controls, and to increase its efforts to support the acquisition of full service contracts.

In support of these initiatives, the fabrication group will obtain ASME "U" stamp certification by mid-2003, which will improve access to the U.S. and other international markets. The Corporation has added a full-time sales



JANUARY + FEBRUARY 2002

JANUARY + FEBRUARY 2003

DRILLING ACTIVITY IN CANADA FOR JANUARY AND FEBRUARY 2003, A TOTAL OF 2,410 WELLS WERE COMPLETED IN WESTERN CANADA, COMPARED TO 1,576 FOR THE SAME TWO MONTHS IN 2002. THIS REPRESENTS A 52.9% INCREASE. DRILLING RIG UTILIZATION RATES FOR JANUARY AND FEBRUARY WERE 87% AND 91% RESPECTIVELY, COMPARED TO 72% AND 75% FOR THE SAME PERIODS IN 2001. THIS INCREASE IN DRILLING ACTIVITY WILL MEAN AN INCREASE IN DEMAND FOR ENGINEERING, FABRICATION, CONSTRUCTION AND OPERATIONS SERVICES, ALL OF WHICH GEMINI PROVIDES.

- *Oil & Gas Process Equipment*
- *Specialty Fabrication*
- *Pipe Modules*
- *Field Installation*
- *Field Engineering, Procurement & Construction*
- *Filters*
- *Large Diameter Specialty Valves*

professional to aggressively pursue new fabrication opportunities and to optimize potential opportunities within its existing client base. In addition, it is currently pursuing representation rights for value-added products which complement the products and services it already provides.

CONSTRUCTION

Gemini's construction services are also provided by Kinetic Projects. Ltd. and encompass projects throughout Western Canada. Kinetic has the advantage of providing full service including engineering, procurement, fabrication and construction which shortens project lead times and results in early onstream time.

Products include all types of oil and gas facilities including new construction, modifications and expansions to existing facilities.

Operating Environment

The industry downturn in 2002 resulted in reduced volumes of construction project work. The Corporation took advantage of the slow year to reorganize and refocus its construction activities. Additional resources were added and construction activities were set up to operate more autonomously than in previous years. To achieve this, a Manager of Construction was hired, along with additional staff experienced in estimating and construction. This reorganization occurred late in 2002 and the Corporation anticipates that results of these initiatives will start to show in the second quarter of 2003. To date, the construction group has experienced increased exposure and opportunities.

Key Achievements in 2002

- added a Manager of Construction to focus on securing and executing field projects
- reestablished field staff in anticipation of additional growth in 2003
- acquired full service contracts in late 2002 that will carry into 2003

Projects for 2002

Work for 2002 primarily involved five main clients and consisted of customary projects with one exception where Gemini successfully modified approximately 130 meter stations for a major utility client. This work covered most of southern Alberta and involved a significant amount of coordination. Safety and security of gas supply was of paramount importance. The Corporation was also successful in obtaining two full service contracts at the close of 2002 that bring a good backlog of work into first quarter of 2003.

Outlook for 2003

Gemini is entering 2003 with a substantial backlog of construction projects compared to 2002, and prospects with key customers are identified for the remainder of the year. The Corporation also expects to experience renewed interest in full service contracts, especially as smaller producers increase activity levels. Smaller clients generally recognize the importance of single-source service and the associated reduced lead time to get production online. Gemini has also begun a program to strengthen existing client relationships by increasing its presence with them.

OPERATIONS SERVICES

- *Project Management*
- *Contract Field Operations*
- *Production Management*
- *Process & Equipment Troubleshooting*
- *Equipment Inspection*
- *Construction Inspection*
- *Start-up Assistance*

OPERATIONS

Gemini's operating services are provided by GEM Production Management, and represent approximately 30% of GEM's revenue. Unlike project work, Operations contracts continue for several years and provide a steady revenue stream over a longer term. Key to the success of this aspect of the business is Gemini's ability to offer a flexible approach to operating services based on clients' needs. Operations uses the support of the engineering group on an as-need basis, a value added feature most contract operators do not have.

As a result, the Corporation was successful in assisting a small producer to develop and improve production at a mature shallow gas field in southeast Alberta. The positive outcome of this work has led to additional expansion plans for 2003 and increased interest in a field that was considered at the end of its operational life.

The main target for the Corporation's operations work has been southeast Alberta and southwest Saskatchewan. Gemini has an established base of staff in these locations which provides a solid infrastructure from which to grow. The strength of its service is the ability to offer technical support to its clients in addition to the actual field resources. The Corporation continues to look for opportunities in other geographic areas.

Key Achievements in 2002

- expanded full service contracts, including operations, engineering and inspection
- expanded operations support service to two new clients
- provided operations support to a client in Quebec
- maintained clients from 2001 that were inactive in 2002 but will resume activity in 2003
- maintained online time at Burstall plant in excess of 98%

Projects for 2002

- three new operating contracts

Custom Processing

In late 2001, the Corporation started up a compressor/dehydration facility at Burstall, Saskatchewan. Production in the area has not met expectations and the Corporation is continuing to evaluate options for turning this venture around. Two producers currently connected to the plant are planning additional drilling in the area which, if successful, would increase gas rates into the facility. In addition to increased gas sales, other options such as relocating the plant, are being pursued.

As a result of the reduced rates the Corporation took steps to reduce its operating costs through modifying the day-to-day services and by mid-2002 had realized a 40% reduction.

Outlook for 2003

Activity levels began very strongly early in the year and are expected to remain high throughout the year. Three new contracts were obtained as of the end of February and staff has been increased from 11 to 16. Gemini is offering a new service – Operations Engineering – which provides day-to-day engineering operations to the field.

Health, Safety and Environment

Gemini Corporation is strongly committed to providing the best possible service while not compromising the health and safety of staff, clients, suppliers and the general public. The Corporation's health and safety practices are supported with written policies relating to conducting business in a safe and environmentally responsible manner. The Corporation's policies and practices, along with client requirements, form the basis of how Gemini conducts business. The objective of the Corporation is to exceed Government requirements.

In 2002, the Corporation's employees worked a total of 310,004 hours with no lost time accidents.

As a matter of business, Gemini continually seeks ways to reduce greenhouse gas emissions and improve energy efficiencies for its clients and within the course of carrying out its normal business.

Human Resources

Gemini Corporation believes its staff require both technical and interpersonal skills to meet clients' needs and achieve career growth. Accordingly, the Corporation provides its employees with both technical and soft skills training. Soft skills training, such as leadership, client relations and interpersonal communications, is conducted through our in-house corporate development program.

In 2002, 51 Gemini employees participated in 76 training courses to upgrade or expand their technical and leadership skills.

Quality Assurance/Quality Control

Gemini Corporation's commitment to quality is critical to the success of its operations. Gemini never compromises quality, and this in turn creates the foundation for all its subsidiaries to follow. Each subsidiary has its own quality control programs developed specifically for their business needs. Gemini enjoys a reputation for providing quality products, whether they are engineering, operations, fabrication or construction projects.

Commitment to the Community

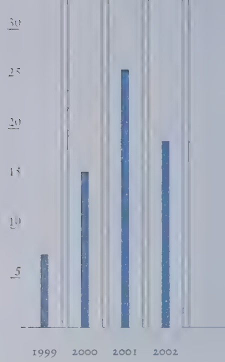
Corporately, Gemini proudly supports local charities, including the Red Cross, Big Brothers and Sisters, STARS (Shock Trauma Air Rescue Society) and the Calgary Inter-Faith Food Bank. The Corporation's commitment also extends to the rural towns and communities where it does business, such as Fort St. John, Medicine Hat, Brooks and Ponoka.

Additionally, Gemini employees have actively supported non-profit organizations through the Corporation's social club and employee fundraisers. Gemini is extremely proud of its employee involvement in this area.

Because Gemini believes that education is an investment in its future growth, the Corporation provides bursaries and awards for the University of Calgary, Southern Alberta Institute of Technology and high school scholarships for apprenticeship training. The Corporation also participates in the Engineering Internship Program at the University of Calgary.

= $40.8 billion

FUTURE PROJECTS MAJOR OIL AND NATURAL GAS ENGINEERING, CONSTRUCTION AND FABRICATION PROJECTS PROPOSED FOR 2003 TO 2010 TOTAL $40.8 BILLION AND INCLUDE OILSANDS AND BITUMEN MINING AND EXTRACTION, SAGD AND HEAVY OIL UPGRADER PROJECTS, REFINERY UPGRADES, ENHANCED OIL RECOVERY PROJECTS AND NATURAL GAS PROCESSING AND COMPRESSOR FACILITIES. OVER THE PAST 20 YEARS, GEMINI HAS GAINED VALUABLE EXPERIENCE IN EACH OF THESE PROJECT TYPES.



CONSOLIDATED REVENUES

millions of dollars

The following discussion of Gemini Corporation's financial and operating results should be read in conjunction with the Corporation's Audited Consolidated Financial Statements and related notes. These discussions include various forward-looking statements regarding the markets in which the Corporation operates, demand for the Corporation's products and services and the Corporation's projected results. These statements contain projections and estimates based on certain assumptions considered reasonable by Gemini management; however, readers are cautioned that, due to a number of factors including commodity prices, industry activity and political events, the Corporation's actual performance and financial results may differ materially from these projections.

OVERVIEW

Gemini Corporation (Gemini) is a Calgary-based company supplying a wide range of services primarily to the oil and gas industry in Canada and internationally. The Corporation conducts business in four operational areas through three wholly-owned subsidiaries. Engineering services are provided by Gemini Engineering Inc. and its GEM Production Management division. Fabrication and construction services are provided by Kinetic Projects Ltd. Operations support is provided by GEM Production Management, and electrical and instrumentation services are provided by Vector Power and Automation Ltd.

RESULTS OF OPERATIONS

Consolidated Results

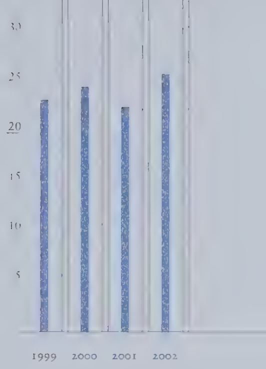
Financial results for the year ended December 31, 2002 were down from 2001, due primarily to reduced activity levels in the construction and fabrication business.

Revenue for 2002 decreased 28% to $18.8 million from $26.0 million in 2001. Despite the decrease in revenues, the gross margin improved to 26% of revenue from 23%, primarily due to higher margins in the engineering business.

Expenses increased 19% overall, and represented 28% of revenue compared to 17% of revenue in 2001. The increase is primarily due to reduced labour recoveries in construction, fabrication and operations. As well, salaries increased 32% as a result of greater emphasis on marketing and senior staff additions.

- *Depreciation and amortization* increased $142,000 over 2001 primarily due to amortization of the Burstall compressor station, which increased depreciation by $82,000 over 2001. Computer hardware and software totalling $300,000 was acquired through capital leases which increased depreciation $52,000 over 2001. The remainder of the increase was due to other small capital additions.
- *Interest expense* increased 17% overall, primarily as a result of increased usage of the bank operating line.
- *Income tax expense* increased for the engineering and consulting subsidiary because of an increase in earnings before taxes from the previous year.

Gemini's construction and fabrication subsidiary experienced a loss before income taxes in 2002 compared to earnings in 2001. Future income tax expense was booked in 2001 against a future income tax asset previously recorded for income tax losses carried forward. In 2002, a future income tax asset was recorded for the losses incurred, on the



GROSS MARGIN

percent

reasonable certainty that these losses will be utilized against future income. This resulted in a future income tax credit. *Net losses* were incurred as a result of lower activity levels and reduced margins in the fabrication and construction business. Gemini recorded a net loss of $389,596 ($0.015 per share) in 2002 compared to net earnings of $996,500 ($0.030 per share) in 2001. Cash flow from continuing operations decreased 106% resulting in a negative cash flow of $107,805 ($0.003 per share) compared to positive cash flow of $1.9 million in 2001 ($0.062 per share).

Segmented Results

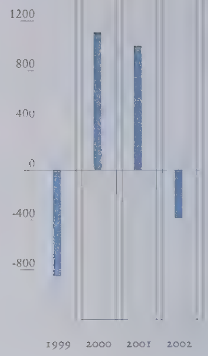
Construction and Fabrication (Kinetic Projects Ltd.) experienced a severe decline in 2002 activity levels compared to 2001, and consequently revenues decreased 58% to $6.7 million from $15.9 million. Gross margins also decreased due to very tight margins in the industry in general. G&A for construction and fabrication increased primarily as a result of reduced labour recoveries.

Gemini's construction and fabrication business is expected to return to profitability through a combination of increased industry activity, aggressive marketing and manufacturing efficiencies.

Engineering (Gemini Engineering Inc.) revenues increased 18% to $11.5 million in 2002 from $9.8 million in 2001.

CONSOLIDATED FINANCIAL HIGHLIGHTS

($thousands except share data)	2002	2001	% Change
Revenue	18,832	26,009	(28)
Gross Margin	4,890	5,897	(17)
(Loss) Earnings before Income Taxes	(406)	1,429	(128)
Net (Loss) Earnings	(390)	997	(139)
per share – basic & diluted	(0.015)	0.030	(150)
Cash Flow	(108)	1,891	(106)
per share – basic & diluted	(0.003)	0.062	(105)
Working Capital	502	1,416	(65)
Total Assets	8,563	11,472	(25)
Capital expenditures	550	1,849	(70)
Total Long-term Debt	1,696	1,838	(8)
Shareholders' Equity	3,487	3,879	(10)
Weighted Average Shares Outstanding			
basic	30,803,362	30,626,635	1
diluted	30,803,362	30,652,923	0.5
Shares Outstanding at Year End	30,793,436	30,812,936	(0.1)



(LOSS) EARNINGS

thousands of dollars

The increase was primarily the result of the Corporation's change in strategy, as opposed to an increase in industry activity levels. GEI has formed strategic alliances with some of the larger oil and gas companies. Expenses such as salaries and advertising and promotion increased due to the change in strategy and targeting of heavy oil projects and larger projects in general.

The Corporation expects engineering results will be similar to 2002 with moderate growth.

Operations (GEM Production Management) experienced decreased revenues compared to the previous year due to lower activity levels among the junior oil and gas companies which comprise the majority of GEM's clients. GEM's gas processing plant in Saskatchewan did not result in profitable operations as initially forecast because the shallow gas wells serviced by the plant were not as productive as anticipated. The operations division also recorded a substantial increase in expenses as a result of the increase in marketing efforts and increased costs, such as amortization, interest on the bank loan and insurance, associated with the gas processing plant.

Operations activities are expected to strengthen in 2003, through the addition of three new clients and generally increased activity.

Vector Power and Automation Ltd. had no business activity in 2002 except to complete projects begun in 2001,

CONSTRUCTION & FABRICATION

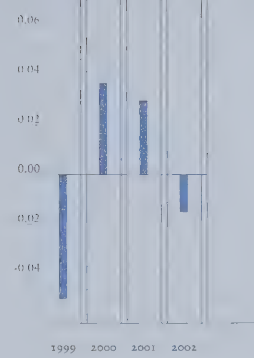
(Kinetic Projects Ltd.) *($thousands)*	2002	2001	% Change
Segment revenues	$ 6,680	$ 15,889	(58)%
Expenses as a percentage of revenue	16.5%	5.9%	180%
(Loss) earnings before corporate charges and income taxes	$ (419)	$ 1,448	(129)%

ENGINEERING

(Gemini Engineering Inc.) *($thousands)*	2002	2001	% Change
Segment revenues	$ 11,504	$ 9,767	18%
Expenses as a percentage of revenue	13.7%	11.9%	15%
(Loss) earnings before corporate charges and income taxes	$ 2,571	$ 2,130	21%

OPERATIONS

(GEM Production Management) *($thousands)*	2002	2001	% Change
Segment revenues	$ 882	$ 1,021	(14)%
Expenses as a percentage of revenue	37.4%	8.8%	325%
(Loss) earnings before corporate charges and income taxes	$ (151)	$ 270	(156)%



(LOSS) EARNINGS PER SHARE

dollars

resulting in a loss from operations of $160,000. Because the Corporation's focus for 2002 was on the fabrication and construction business, no effort was directed towards Vector. Gemini Corporation continues to evaluate options for Vector in 2003.

SUMMARY OF QUARTERLY RESULTS

Although the Corporation reported losses in 2002, it is important to note that each quarter showed an improvement in results. The fourth quarter posted earnings of $82,000 before income taxes compared to losses in each of the three previous quarters. Revenues were fairly constant through 2002, with a slight increase in the third quarter coming from an increase in construction and fabrication activity. Although sales were lower in the fourth quarter, gross margin increased to 28% of revenue from 24% primarily due to improved efficiencies in the fabrication business. As well, expenses decreased 8% overall primarily as a reduction of unbilled labour in the fourth quarter.

The first three quarters of 2001 were profitable, with the second quarter being the most profitable, due primarily to higher sales volumes. The decline in activity began in the fourth quarter of 2001 and continued through 2002.

LIQUIDITY & CAPITAL RESOURCES

An overall reduction in cash flow of almost $2 million from 2001 has slowed down our plans for growth; however, following three quarters of negative cash flow, Gemini recorded positive cash flow in the fourth quarter of 2002, a result of increased activity and improved performance.

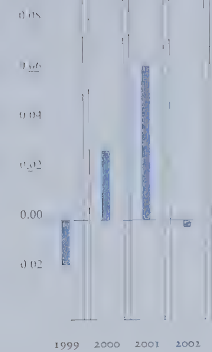
SUMMARY OF QUARTERLY RESULTS

($thousands except per share amounts)				2002				2001
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	4,682	5,024	4,770	4,355	6,914	6,437	7,114	5,543
Gross Margin	1,310	1,189	1,267	1,124	1,307	1,458	1,722	1,411
Earnings before Income Taxes	82	(144)	(203)	(140)	(141)	448	729	394
Net (Loss) Earnings	(30)	(94)	(114)	(151)	(110)	290	427	390
per share – basic & diluted	(0.002)	(0.004)	(0.004)	(0.006)	(0.004)	0.009	0.013	0.013
Cash Flow[1]	84	(26)	(61)	(105)	56	518	720	597
per share – basic & diluted	0.003	(0.001)	(0.002)	(0.003)	0.002	0.017	0.024	0.020
Working Capital	502	500	634	990	1,416	1,860	2,203	1,607
Total Assets	8,563	9,265	9,373	9,866	11,472	10,195	9,373	8,650
Capital Expenditures	4	17	455	74	673	777	149	244
Total Long-term Debt	1,696	1,751	1,847	1,725	1,838	1,708	1,783	1,785
Shareholders Equity	3,487	3,517	3,612	3,729	3,879	3,965	3,675	3,243

1 *Cash flow for 2001 has been restated with respect to the non-cash portion of the deferred rental charge*

4. INDUSTRY CONDITIONS

COMMODITY PRICES AVERAGE NORTH AMERICAN OIL PRICES FOR THE FIRST 11 WEEKS OF 2003 INCREASED MORE THAN 60% OVER THOSE FOR THE SAME PERIOD IN 2002. AVERAGE NATURAL GAS PRICES INCREASED MORE THAN 145%. SOME OF THE INCREASED CASH FLOW IN THE EXPLORATION AND PRODUCTION SECTOR WILL BE DIRECTED TOWARD THE OILFIELD SERVICES GEMINI PROVIDES.



CASH FLOW PER SHARE

dollars

Working capital was impacted by the losses throughout the year, and has been reduced by approximately $900,000 since December 31, 2001. The current ratio, as calculated by the Bank, declined from 1.24:1 at December 31, 2001 to 1.15:1 at December 31, 2002. The Bank's requirement is 1.25:1.

Gemini's debt service ratio at December 31, 2002 was 0.38:1 compared to the Bank's requirement of 1.25:1. This is primarily a result of the operating losses incurred in 2002.

Debt to equity, as calculated by the Bank, improved from 1.77:1 to 1.43:1, primarily due to reduced bank debt and reduced accounts payable stemming from decline in business activity. The Bank covenant is 2.50:1.

The Corporation's cash, generated by changes in working capital balances after accounting for cash loss from operations, was used to service the operating line of credit, repay long-term debt, reduce deferred rent, and fund capital acquisitions.

Subject to meeting certain bank covenants, the Corporation has a line of credit available at the Bank for up to $3.0 million. At December 31, 2002 $1,841,000 of the available line was being utilized.

Due to terms of an Intercreditor Agreement between the Corporation, the Bank and the Export Development Corporation, the Bank has the right to request the return of quarterly principal and interest payments made by the Corporation to EDC if financial covenants have been breached. Working capital and debt service ratio covenants have been below that required by the Bank throughout the year and, as a result, no payments have been made to EDC in 2002. Payments to EDC will resume when covenants are back in compliance.

The Corporation is in arrears on payment of undeclared dividends on cumulative preferred shares, paying 6.6% dividend. The amount in arrears at December 31, 2002 is $220,657.

No commitments have been made for capital expenditures. Capital purchases will be made only as necessary and as the Corporation's cash resources permit. The majority of new computer and office equipment will continue to be leased in order to conserve cash. The leases will be treated as either operating or capital leases depending on the terms of the lease.

Plans are in place to dispose of a major asset, which should inject sufficient working capital into the Corporation to return its working capital ratio to the Bank's required 1.25:1. This disposal would allow Gemini to pay off

CONTRACTUAL OBLIGATIONS

Payments due as follows	Total	2003	2004	2005	2006	2007	Thereafter
Bank demand loans	1,214,988	205,008	205,008	204,972	60,000	60,000	480,000
Long-term debt	628,122	167,500	167,500	293,122	–	–	–
Capital lease obligations	240,915	96,546	106,364	38,005	–	–	–
Operating Leases	1,744,773	844,630	808,209	61,560	21,727	8,647	–
Total Obligations	3,828,798	1,313,684	1,287,081	597,659	81,727	68,647	480,000

certain related bank debt which would improve its liquidity position in general.

RELATED PARTY TRANSACTIONS

Two directors of Gemini are principals of Meyers Norris Penny LLP, a chartered accounting firm which acts in a management consultant capacity for Gemini, primarily to provide corporate governance services. Fees for service are charged at fair market value, and totalled $74,708 in 2002.

BUSINESS RISKS & CRITICAL SUCCESS FACTORS

Operations and results of Gemini Corporation are subject to the cyclical nature of the oil and gas industry. This element of risk is inherent in our business due to the fluctuating prices of both oil and gas. Forces other than supply and demand drive these price fluctuations. Commodity prices, impacted by world events, are at historical highs. This will produce positive oil and gas industry cash flows. However, much uncertainty exists due to Kyoto and the unrest in the Middle East.

Diversification into other Industries

To minimize its risks, the Corporation continues to look for diversification into other industries. Kinetic Projects has had some success in moving into the valve manufacturing and the filtration market. Plans are underway to obtain ASME "U" stamp certification which will provide access to the U.S. and international market place. Gemini Engineering is continuing to pursue heavy oil work, and has begun to seek international engineering and project management work. The Corporation is continuing to investigate opportunities in wastewater treatment, wind power, and bio-waste treatment.

Client Mergers and Acquisitions

The oil and gas industry has seen, in the past few years, a number of mergers between prominent energy companies. Business environments and strategies often change when this occurs and it could impact the Corporation if it loses the business of a major client. Gemini continues to take steps to broaden its client base so that the potential impact is lessened should this occur.

Financial Resources and Ability to Raise Capital

As the Corporation comes out of a rather difficult year, it is focusing on replenishing its working capital and cash reserves. In order to take advantage of business opportunities, Gemini will need additional capital and cash reserves. A profitable year will enable Gemini to restore its working capital to a comfortable level and thereby give the Corporation access to financial markets in order to provide the necessary capital to sustain and expand its business.

OUTLOOK

Gemini's outlook is positive with regard to the operating environment for 2003 and the opportunities it will present. The relative lack of exploration and development activity in 2002, combined with natural decline rates of currently producing fields, rising demand for energy commodities and high commodity prices will necessitate increased petroleum services activity. The latter will, in turn, create increased demand for Gemini's products and services.

The Corporation has already seen an increase in activity and has added new clients to its customer base. With activity levels continuing at the current level, the Corporation expects a return to profitability.

MANAGEMENT'S REPORT

The accompanying consolidated financial statements and related information in the Annual Report have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Corporation. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality.

To assist management in the discharge of these responsibilities, the Corporation maintains a system of internal controls designed to provide reasonable assurance that accounting records are reliable and its assets are safeguarded.

The Audit Committee, which is comprised exclusively of outside directors, is appointed annually by the Board of Directors. The Audit Committee meets with management as well as with external auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statement and external auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration prior to the Board's approval of the audited consolidated annual financial statements for subsequent presentation to the shareholders. The external auditors have direct access to the Audit Committee of the Board of Directors.

The firm of Buchanan Barry LLP, on behalf of the shareholders, has independently audited the consolidated financial statements, in accordance with Canadian generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Corporation.

Carl Johnson, *President & Chief Executive Officer*

Marlene Quiring, *Vice President & Controller*

AUDITORS' REPORT

To the Shareholders of Gemini Corporation

We have audited the balance sheet of Gemini Corporation as at December 31, 2002 and December 31, 2001 and the statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2002 and December 31, 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Buchanan Barry LLP

Chartered Accountants

Calgary, Alberta

March [illegible]th, 2003

CONSOLIDATED BALANCE SHEET

As at December 31, 2002 and 2001	2002	2001
ASSETS		
Current		
Cash	$ 139,707	$ 36,688
Accounts receivable	3,041,463	5,819,919
Work in progress	223,481	693,503
Future income tax	343,287	510,832
Prepaids and deposits	134,536	109,753
	3,882,474	7,170,695
Capital assets (note 3)	3,821,181	3,738,207
Future income taxes (note 10)	859,617	562,793
	$ 8,563,272	$ 11,471,695
Current		
Bank indebtedness *(note 4)*	$ 1,840,761	$ 2,976,258
Accounts payable	916,954	2,258,142
Income taxes payable	72,192	71,260
Current portion of bank demand loans *(note 5)*	205,008	194,591
Current portion of deferred rental charge	81,228	81,228
Current portion of capital lease obligation *(note 7)*	96,546	5,487
Current portion of long term debt *(note 8)*	167,500	167,500
	3,380,189	5,754,466
Bank demand loans *(note 5)*	1,009,980	1,214,988
	4,390,169	6,969,454
Deferred rental charge (note 6)	81,222	162,447
Capital lease obligation (note 7)	144,369	–
Long term debt (note 8)	460,622	460,622
	5,076,382	7,592,523
SHAREHOLDERS' EQUITY		
Share capital (note 9)	4,744,964	4,747,118
Deficit	(1,258,074)	(867,946)
	3,486,890	3,879,172
	$ 8,563,272	$ 11,471,695

Carl Johnson, *Director*

Roy Barr, *Director*

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

For the years ended December 31, 2002 and 2001	2002	2001
Revenue	$ 18,831,572	$ 26,008,573
Direct costs	13,941,446	20,111,247
Gross margin	4,890,126	5,897,326
Expenses		
Salaries and benefits	2,701,660	2,053,304
Office and administration	1,936,460	1,953,028
Amortization	445,382	303,461
Interest on long term debt	127,970	129,493
Corporate expenses	10,563	10,565
Bad debts	73,920	18,134
	5,295,955	4,467,985
(Loss) earnings from continuing operations before income taxes	(405,829)	1,429,341
Income tax expense (recovery) (note 10)		
Current	113,046	53,602
Future	(129,279)	528,466
	(16,233)	582,068
(Loss) earnings from continuing operations after income taxes	(389,596)	847,273
Earnings from discontinued operations	–	149,251
(Loss) earnings for the year	(389,596)	996,524
Deficit, beginning of year	(867,946)	(1,864,470)
Premium paid to repurchase company shares	(532)	–
Deficit, end of year	$ (1,258,074)	$ (867,946)
Basic (loss) earnings per share from continuing operations after income taxes (note 11)	$ (0.015)	$ 0.025
Basic (loss) earnings per share (note 11)	$ (0.015)	$ 0.030
Diluted (loss) earnings per share from continuing operations (note 11)	$ (0.015)	$ 0.025
Diluted (loss) earnings per share (note 11)	$ (0.015)	$ 0.030
Weighted average number of common shares	30,803,362	30,626,635

CONSOLIDATED CASH FLOW STATEMENT

For the years ended December 31, 2002 and 2001	2002	2001
Cash provided by (used in)		
Operating Activities		
Net (loss) earnings for the year	$ (389,596)	$ 996,524
Add back non-cash items		
Amortization	445,382	303,461
Future income tax (recovery) expense	(129,279)	637,034
Deferred rental charge relating to amortization of free rent	(21,264)	(21,266)
Gain on disposal of capital equipment	(8,034)	(13,498)
Gain in cash surrender value of life insurance policy	(5,014)	(10,864)
Cash flow from operations	(107,805)	1,891,391
Changes to working capital balances related to operating activities		
Accounts receivable	2,778,456	(3,342,054)
Cash held in trust	–	54,619
Work in progress	470,022	(209,829)
Prepaids	(19,769)	(27,858)
Accounts payable	(1,341,193)	383,268
Income taxes payable	932	38,923
	1,888,448	(3,102,931)
Cash provided by (used in) operations	1,780,643	(1,211,540)
Financing activities		
(Decrease) increase in revolving line of credit	(1,135,497)	2,380,751
Repayment of bank demand loans	(194,591)	(90,421)
Proceeds from long term debt	–	500,000
Repayment of long term debt	–	(167,499)
Increase in capital lease obligations	349,285	–
Repayment of capital lease obligations	(113,857)	(4,856)
Repayment of advances to vendors of subsidiaries	–	(83,504)
Increase in deferred rent relating to leasehold improvements	–	184,879
Reduction of deferred rent relating to leasehold improvements	(59,961)	(4,997)
Repurchase of common shares	(2,940)	–
Proceeds on issue of common shares	255	28,800
	(1,157,306)	2,743,153
Investing activities		
Acquisition of capital assets	(550,318)	(1,843,086)
Proceeds on sale of capital assets	30,000	26,800
	(520,318)	(1,816,286)
Change in cash	103,019	(284,673)
Cash, beginning of year	36,688	321,361
Cash, end of year	$ 139,707	$ 36,688
Cash flow from operations per share		
Basic and diluted	$ (0.003)	$ 0.062

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Corporation and those of its wholly-owned subsidiaries, Gemini Engineering Inc., Kinetic Projects Ltd., and Vector Power and Automation Ltd.

Gemini Engineering Inc. provides project management, engineering and construction management to clients in Canada and internationally. Through its division, GEM Production Management, it also provides operations services and custom gas processing solutions.

Kinetic Projects Ltd. provides both custom fabrication services and full service construction. The full service construction includes project management, engineering, and construction. Fabrication can be supplied as part of the construction or on a stand-alone basis.

Vector Power and Automation Ltd. was incorporated to provide electrical and instrumentation contracting services to a number of industries.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

a. Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded using the following annual amortization rates:

Automobiles	declining balance at 30%
Computer equipment	declining balance at 30%
Field equipment	declining balance at 20%
Office and shop equipment	declining balance at 20%
Building	declining balance at 4%
Land improvements	declining balance at 4%
Compressor station	straight line over 15 years
Leasehold improvements	straight line over 4 years

b. Income Taxes

The Corporation follows the liability method to account for income taxes. The liability method requires that income taxes reflect the future tax consequences of temporary differences between the carrying amounts of assets or liabilities and their tax basis. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates that will be in effect when the asset is realized or the liability settled. The effect of a change in tax rates on future tax assets and liabilities is recognized in net income in the period in which the change occurs.

c. Revenue Recognition

The Corporation uses the percentage-of-completion method to account for revenue earned on construction and fabrication projects. For all other services, revenue is recognized at the time the services are provided.

d. Stock Based Compensation

Effective January 1, 2002, the Corporation adopted the recommendations of CICA Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. It requires that direct awards of stock and liabilities based on the price of common stock be measured at fair value at each reporting date, with changes in fair value reported in the statements of income and use fair value method for other types of stock-based compensation plans. The Corporation's stock option plan does not qualify as direct awards of stock or as a plan that create liabilities. As a result, the implementation of the section has no impact on the financial statements. The Corporation has adopted the "disclosure only" provisions of the new standard for stock options granted to employees whereby pro forma net income and pro forma earnings per share are disclosed in the notes to the financial statements, as if the fair value based method of accounting had been used for options granted after January 1, 2002. After applying the fair value based method of accounting to the stock options granted in 2002, the effect on net income and earnings per share is immaterial.

The Corporation records no compensation expense when options are issued to employees. Any consideration paid by employees on the exercise of the options is credited to capital stock. Any modifications to the options are revalued based on the fair value method and pro forma information is disclosed.

e. Earnings per Share

The Corporation adopted the treasury stock method of reporting earnings and other per share amounts. Basic earnings per share and cash flow from operations per common share are computed by dividing earnings and cash flow from operations by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments, in accordance with new standards approved by the Canadian Institute of Chartered Accountants. This change did not have any impact on the reported earnings per share.

f. Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases whereby lease payments are expensed as incurred. Assets recorded under capital leases are amortized on the same basis as similar assets owned by the Corporation.

g. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

3. CAPITAL ASSETS

	2002 Cost	2002 Accumulated Amortization	2002 Net Book Value	2001 Cost	2001 Accumulated Amortization	2001 Net Book Value
Automobiles	$ 13,476	$ 12,198	$ 1,278	$ 13,476	$ 11,650	$ 1,826
Computer equipment	566,033	247,787	318,246	457,424	134,494	322,930
Computer equipment – capital lease	300,277	45,041	255,236	–	–	–
Field equipment	289,157	169,947	119,210	288,658	145,482	143,176
Office equipment	210,501	78,162	132,339	183,219	48,488	134,731
Shop equipment	270,929	100,209	170,720	179,770	68,925	110,845
Building	1,477,690	256,521	1,221,169	1,477,690	205,639	1,272,051
Compressor station	1,218,484	94,827	1,123,657	1,223,527	13,595	1,209,932
Leasehold improvements	252,362	125,941	126,421	251,482	62,870	188,612
	4,598,909	1,130,633	3,468,276	4,075,246	691,143	3,384,103
Land and improvements	358,936	6,031	352,905	358,936	4,832	354,104
	$ 4,957,845	$ 1,136,664	$ 3,821,181	$ 4,434,181	$ 695,975	$ 3,738,207

4. BANK INDEBTEDNESS

The Corporation has a revolving demand operating credit facility, to a maximum of $3,000,000, subject to meeting certain bank covenants. The line of credit bears interest at prime plus 1.75% per annum, and is secured by a general security agreement over all present and future acquired assets, a general assignment of book debts from each of the companies covering current and future assets of each company, and cross guarantees in the amount of $4,685,000 between the Corporation and each of its subsidiaries.

At December 31, 2002 the Corporation was not in compliance with two of the Bank's covenants. The Corporation's Working Capital ratio was 1.15:1 compared to the Bank's requirement of 1.25:1, and the Debt Service Ratio was 0.38:1 compared to the Bank's requirement of 1.25:1. The Bank is aware of these deficiencies and their procedure has been to have the Corporation sign an Acknowledgement of Covenant Breach. The Corporation has and intends to continue to comply with this acknowledgement arrangement while in breach of the covenants.

5. BANK DEMAND LOANS

Effective January 1, 2002, the Corporation retroactively adopted the recommendation of the Emerging Issues Committee EIC-122, which requires that long-term debt obligations with demand repayment terms must be classified as a current liability. The general principle states that non-current classification of debt in a debtor's balance sheet should be based on facts existing at the balance sheet date rather than on expectations regarding future refinancing or renegotiation. If the creditor has, at the date of the balance sheet, the unilateral right to demand immediate repayment of any portion or all of the debt under any provision of the debt agreement, the obligation should be classified as a current liability.

The Corporation's primary lender has provided Gemini Corporation with a letter which states that, for purposes of calculating the working capital ratio covenant, only the principal payments due within one year going forward will be treated as a current liability.

	2002	2001
Non-revolving reducing demand credit facility repayable in monthly instalments of $1,667 plus interest at prime plus 2.25% per annum, secured by a general security agreement on current and future assets, maturing in December, 2005.	$ 59,992	$ 79,996
Non-revolving reducing demand credit facility repayable in monthly instalments of $5,000 plus interest at prime plus 2.25% per annum, secured by a mortgage on land and building with a carrying value of $1,574,074 (Dec. 2001 – $1,626,155), maturing in December, 2015.	780,000	840,000
Non-revolving demand credit facility repayable in monthly instalments of $10,417 plus interest at prime plus 2.25% per annum, secured by a general security agreement and equipment with a carrying value of $1,123,657 (Dec. 2001 – $1,209,932), maturing in December, 2005.	374,996	489,583
	$ 1,214,988	$ 1,409,579
Less current portion	205,008	194,591
	$ 1,009,980	$ 1,214,988

Principal repayments required for each of the next five years are as follows:

2003	$ 205,008
2004	205,008
2005	204,972
2006	60,000
2007	60,000
Thereafter	480,000
	$ 1,214,988

6. DEFERRED RENTAL CHARGE

In January 2000 the Corporation entered into a new lease for premises which included three months free rent, the benefit of which was deferred and is being amortized over the life of the lease in monthly amounts of $1,772. The Lessor also provided in the lease agreement an improvement allowance to be amortized and repaid over the balance of the lease term, free of interest. Monthly payments of $4,997 began in December 2001 and will continue through to December 2004.

7. CAPITAL LEASE OBLIGATION

	2002	2001
Capital lease obligation payable in monthly instalments of $472 including interest at 9.8% per annum, secured by equipment with a carrying value of $6,398 (Dec. 2001 – $7,998), matured in October, 2002.	$ –	$ 5,487
Capital lease obligation payable in monthly instalments of $9,645 including interest at 9.9% per annum, secured by equipment with a carrying value of $255,236 (Dec. 2001 – $0), maturing in April, 2005.	240,915	–
	$ 240,915	$ 5,487
Less current portion	96,546	5,487
	$ 144,369	$ –

Principal repayments required for each of the next five years are as follows:

2003	$ 96,546
2004	106,364
2005	38,005
	$ 240,915

8. LONG TERM DEBT

	2002	2001
Note payable in quarterly instalments of $41,874 plus interest at prime per annum, secured by a second mortgage on land and building with a carrying value of $1,574,074 (Dec. 2001 – $1,626,155), a general security agreement and postponement on all inter-corporate debt, maturing in September, 2005. This amount is subject to an Intercreditor Agreement as described below.	$ 628,122	$ 628,122
	$ 628,122	$ 628,122
Less current portion	167,500	167,500
	$ 460,622	$ 460,622

Principal repayments required for each of the next five years are as follows:

2003	$ 167,500
2004	167,500
2005	293,122
	$ 628,122

Pursuant to an Intercreditor Agreement between the Corporation, the Bank and Export Development Corporation (EDC), the Bank has exercised its right to request the return of quarterly principal and interest payments made by the Corporation to EDC for the periods in which the covenant deficiencies continued. At December 31, 2002 this amount totalled $192,952. In effect, no payments were made to EDC in 2002. The Corporation is currently in discussion with EDC regarding this matter.

Payments will resume when the financial covenants are in compliance with the Bank's requirements.

9. SHARE CAPITAL

a. *Authorized:* Unlimited number of voting common share
Unlimited number of non-voting preferred shares, issuable in series

These preferred shares could be issued in one or more series. The directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges and conditions attached to the shares of each series.

b. *Issued and Outstanding December 31*	2002		2001	
	Common Shares	Amount	Common Shares	Amount
Balance beginning of year	30,812,936	$ 3,505,566	30,572,936	$ 3,476,766
Stock options exercised	1,500	255	240,000	28,800
Repurchased and cancelled	(21,000)	(2,409)	–	–
Balance end of period	30,793,436	$ 3,503,412	30,812,936	$ 3,505,566
	Preferred Shares	Amount	Preferred Shares	Amount
Balance beginning of year	1,241,552	$ 1,241,552	1,241,552	$ 1,241,552
	1,241,552	$ 1,241,552	1,241,552	$ 1,241,552
Total Share Capital		$ 4,744,964		$ 4,747,118

i. During the year ended December 31, 2001, options granted July 3, 1997 were exercised resulting in the issue of 240,000 common shares at $0.12 per common share.

ii. During the year ended December 31, 2002, options granted November 21, 2000 were exercised resulting in the issue of 1,500 common shares at $0.17 per common share.

iii. During the year ended December 31, 2002, the Corporation repurchased 21,000 of its common shares at $0.14 per share for a total of $2,940 through a normal course issuer bid. The excess of the purchase price, $2,940, over the average carrying value of the common shares acquired, $2,408, was charged to retained earnings.

iv. In July of 2002, the TSX Venture Exchange accepted a notice filed by Gemini Corporation to make a normal course issuer bid. During the period between July 23, 2002 and July 22, 2003, Gemini may purchase up to 1,500,000 Common Shares, representing just under 5% of the 30,793,436 Common Shares currently issued and outstanding. A previous normal course issuer bid expired June 27, 2002.

v. Class A warrants issued on December 16, 1999, entitling the holders to acquire up to 224,650 common shares of Gemini at $0.35 per share, and which expired on November 30, 2002, were extended to November 30, 2003. Class B warrants issued on November 21, 2000, entitling the holders to acquire up to 386,000 common shares of Gemini Corporation at $0.40 per share, and which expired on November 21, 2002, were extended to November 21, 2003. Class C warrants issued on May 11, 2000, entitling the holders to acquire up to 1,250,000 common shares of Gemini Corporation at $0.35 per share, and which expired on November 9, 2002, were extended to November 9, 2003. All other terms of the Class A, Class B and Class C warrants remained unchanged.

c. Reserved For Issue

i. During the year ended December 31, 2001, options were granted to purchase 741,500 shares of the Corporation at a price of $0.17. These options were issued at several times throughout the year. Of these options, 400,000 were to directors and vested immediately. The remaining 341,500 options, issued to employees, vested one-third immediately and the remainder at one-third per year on each of the next two anniversary dates.

During the year ended December 31, 2002, options were granted to purchase 50,000 shares of the Corporation at $0.23, and 100,000 shares at $0.14. These options were issued at several times throughout the year to employees, and vested one-third immediately and the remainder at one-third per year on each of the next two anniversary dates.

At December 31, 2002 the Corporation had unexercised options to the directors and employees as follows:

Issue Date	Exercise Price Per Share	Number of Options	Expiration Date
November 21, 2000	$ 0.17	1,531,500	November 21, 2005
March 1, 2001	$ 0.17	200,000	March 1, 2006
May 1, 2001	$ 0.17	25,000	May 1, 2006
July 24, 2001	$ 0.17	155,000	July 24, 2006
August 15, 2001	$ 0.17	70,500	August 15, 2006
October 2, 2001	$ 0.17	25,000	October 2, 2006
November 22, 2001	$ 0.17	200,000	November 22, 2006
March 28, 2002	$ 0.23	50,000	March 28, 2007
November 22, 2002	$ 0.14	100,000	November 22, 2007
Total stock options outstanding		2,357,000	

The Corporation has reserved 2,078,650 common shares with respect to outstanding warrants.

At December 31, 2002, the Corporation had unexercised warrants outstanding as follows:

	Issue Date	Exercise Price Per Share	Number of Options	Expiration Date
Class A	December 16, 1999	$ 0.35	224,650	November 30, 2003
Class B	February 28, 2000	$ 0.40	218,000	February 28, 2004
Class B	November 21, 2000	$ 0.40	386,000	November 21, 2003
Class C	May 11, 2000	$ 0.35	1,250,000	November 9, 2003

If all outstanding warrants and stock options had been exercised, a total of 35,229,086 shares would have been outstanding.

d. Dividends in Arrears

At December 31, 2002, the Corporation was in arrears on the payment of undeclared dividends on the Series I cumulative preferred shares in the amount of $220,657 (2001 – $138,714).

INCOME TAXES

The Corporation follows the liability method of accounting for income taxes. The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rate to earnings before income taxes. The major components of these differences are explained as follows:

	2002	2001
(Loss) earnings from continuing operations before tax	$ (405,829)	$ 1,429,341
Earnings from discontinued operations	–	257,819
(Loss) earnings before income tax	(405,829)	1,687,160
Corporate income tax rate	40.11%	42.11%
(Future income taxes) expected income taxes payable	(162,778)	710,463
Increase (decrease) in income taxes (future income taxes) resulting from:		
Loss for which no benefit has been recognized	71,786	107,103
Difference in tax rate on carry forward losses	61,736	(115,437)
Difference in tax rate re cumulative eligible capital carry forward	11,263	–
Temporary difference between tax basis and net book value of assets	106,517	100,173
Difference between capital cost allowance and depreciation on books	(90,810)	(85,349)
Benefits of financing costs deductible not previously recognized	(10,944)	–
Benefits of cumulative eligible capital not previously recognized	–	(2,677)
Capital lease payments deductible	(23,810)	–
Income tax paid (recovered) by subsidiaries	10,478	(14,365)
Tax calculated on earnings from discontinued operations already stated net of tax	–	(108,568)
Other items	10,329	(9,275)
Income tax expense (recovery)	$ (16,233)	$ 582,068

Reconciliation to Future Income Tax Assets on Balance Sheet:

	2002	2001
Future income tax asset (current) at beginning of year	$ 510,832	$ 532,069
Future income tax asset (long term) at beginning of year	562,793	1,178,590
Total future income tax asset	1,073,625	1,710,659
Add: Current year future income tax recovery (expense)	129,279	(528,466)
Future income tax expense included in discontinued operations	–	(108,568)
Total future income tax recovery (expense)	129,279	(637,034)
Future income tax asset at end of year	$ 1,202,904	$ 1,073,625
Future income tax asset (current) at end of year	$ 343,287	$ 510,832
Future income tax asset (long term) at end of year	859,617	562,793
Total future income tax asset	$ 1,202,904	$ 1,073,625

The Corporation and its wholly-owned subsidiaries have the following deductions available for use against future years' income:

	Gemini Corporation	Gemini Engineering Inc.	Kinetic Projects Ltd.	Vector Power & Automation Ltd.	Maximum annual rate of claim
Undepreciated capital assets	$ 468,416	$ 1,489,501	$ 1,505,265	$ 33,887	4% - 30%
Eligible capital expenditures	6,207	–	556,936	–	7%
Share issue costs	20,108	–	–	–	20%
Financing costs	28,717				20%
	$ 523,448	$ 1,489,501	$ 2,062,201	$ 33,887	

The Corporation has incurred capital losses for income tax purposes of $1,862,957 in one of the wholly owned subsidiaries and the related benefit has not been reflected in these financial statements. These losses can be carried forward indefinitely to be used against future capital gains.

The Corporation has incurred non-capital losses for income tax purposes of approximately $3,086,778, the related benefit of which has been recorded in these financial statements. Unless sufficient taxable income is earned, these losses will expire as follows:

2003	$ 57,885
2004	736,525
2005	1,492,608
2008	799,760
	$ 3,086,778

Non-capital losses of approximately $179,400 (2001 – $251,593) have been incurred in a wholly-owned subsidiary for which no benefit has been recognized. The Corporation is unable to ascertain whether it is more likely than not that these losses will be utilized in future periods. For this reason, no recovery has been recorded. Unless sufficient taxable income is earned, these losses will expire as follows:

2007	$ 251,593
2008	179,400
	$ 430,993

Reconciliation of the Corporation's income tax rate is as follows:

Federal income tax rate	35.00%
Federal abatement	(10.00)%
Surtax	1.12%
Provincial income tax rate	13.99%
Combined federal and provincial income tax rate	40.11%

11. (LOSS) EARNINGS PER COMMON SHARE

The earnings per common share are calculated using a weighted average number of common shares outstanding of 30,803,362 (2001 – 30,626,635) shares. The effect of the stock options and warrants on the (loss) earnings per share is anti-dilutive.

12. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2002, the Corporation incurred fees in the amount of $74,708 (2001 – $104,738) from entities of which two directors are principals. Of this amount, $17,987 remains unpaid at December 31, 2002.

The Corporation is committed to the following minimum lease payments related to operating leases for premises, vehicles and office equipment:

2003	$ 844,630
2004	808,209
2005	61,560
2006	21,727
2007	8,647
	$ 1,744,773

Subsequent to year end, the Corporation extended the expiry date of Class B warrants originally issued on February 28, 2000. These warrants entitled the holder to acquire up to 218,000 common shares of Gemini Corporation at $0.40 per share at any time on or before February 28, 2003. The expiry date of these Class B warrants has now been extended to February 28, 2004. All other terms of the Class B warrants remain unchanged.

15. SEGMENTED INFORMATION

The Corporation operates in three reportable segments, each offering different products and services. They are components of the Corporation for which separate financial information is available that is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. These operating segments are: Gemini Engineering Inc., which provides engineering, design, project management and operations services; Kinetic Projects Ltd., which provides construction and fabrication services; and Vector Power and Automation Ltd., providing electrical and instrumentation contracting services. The chief operating decision maker of the entities is the Chief Executive Officer of the Corporation.

for the year ended December 31, 2002	Gemini Engineering Inc.	Kinetic Projects Ltd.	Vector Power & Automation Ltd.	Corporate	Inter-Company Adjustments	Totals
Segment revenues	12,385,185	6,679,783	6,092	2,282,042	(2,521,530)	18,831,572
Inter-segment revenues	(165,158)	(74,330)	–	(2,282,042)	2,521,530	–
External revenues	12,220,027	6,605,453	6,092	–	–	18,831,572
Interest revenue	445	177	–	27,774	(28,190)	206
Interest expense	79,143	134,501	27,738	18,907	(28,190)	232,099
Depreciation and amortization	209,498	104,293	8,472	123,119	–	445,382
Segment (loss) profit before corporate charges and income taxes	2,420,156	(418,693)	(159,979)	34,729	(2,282,042)	(405,829)
Future income taxes	95,708	(231,640)	–	6,653	–	(129,279)
Segment assets	3,793,270	4,012,505	37,567	856,760	(136,830)	8,563,272
Expenditures for segment capital assets	24,453	122,940	–	402,925	–	550,318

for the year ended December 31, 2001	Gemini Engineering Inc.	Kinetic Projects Ltd.	Vector Power & Automation Ltd.	Corporate	Inter-Company Adjustments	Totals
Segment revenues	10,787,677	15,888,604	585,412	2,558,070	(1,884,050)	27,935,713
Inter-segment revenues	(576,014)	(366,214)	(310,892)	(2,558,070)	1,884,050	(1,927,140)
External revenues	10,211,663	15,522,390	274,520	–	–	26,008,573
Interest revenue	4,135	4,720	–	28,123	(34,611)	2,367
Interest expense	60,749	166,740	4,859	2,824	(34,611)	200,561
Depreciation and amortization	133,288	102,596	4,707	62,870	–	303,461
Segment (loss) profit before corporate charges and income taxes	2,400,129	1,447,973	(176,264)	319,251	(2,561,748)	1,429,341
Future income taxes	96,347	319,505	–	112,614	–	528,466
Segment assets	3,885,695	6,971,703	599,363	451,764	(436,830)	11,471,695
Expenditures for segment capital assets	1,487,975	56,565	47,065	251,481	–	1,843,086

16. FINANCIAL INSTRUMENTS

The Corporation holds various forms of financial instruments comprised of cash, accounts receivable, bank demand loan, accounts payable and long-term debt. The Corporation's operations expose the Corporation to interest rate risk and industrial credit risks. The Corporation manages its exposure to this risk by operating in a manner that minimizes its exposure to the extent practical.

a. Fair Values The fair values of the Corporation's current financial instruments do not differ significantly from their carrying values due to their short-term maturities. The fair value of the Corporation's long-term debt approximates its carrying value as the majority of long-term debt bears interest at rates that vary with the prime rate.

b. Credit Risk A significant portion of the Corporation's trade accounts receivable are from the resource industry and as such, Gemini Corporation is exposed to all the risks associated with that industry.

c. Interest Rate Risk Management The Corporation's short and long term borrowings are subject to floating rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

As at December 31, 2002, the increase or decrease in net earnings before taxes for each 1% change in interest rates on floating rate debt amounts to approximately $18,000 (December 31, 2001 – $20,000).

Board of Directors

Carl D. W. Johnson
President & C.E.O.
Gemini Corporation
Calgary, Alberta

Roy Barr [1, 2]
Partner
Meyers Norris Penny LLP
DeWinton, Alberta

Nolan Blades [2]
President
Sunny Gables Holdings Ltd.
Calgary, Alberta

Larry Shelley [1, 2]
President
Tamarack Group Ltd.
Partner
Meyers Norris Penny LLP
Calgary, Alberta

Carl Smith [1]
Financial Consultant
Calgary, Alberta

1 *Member of Audit Committee*
2 *Member of Compensation Committee*

Key Personnel

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Gemini Corporation

Marlene Quiring
VP & Controller
Gemini Corporation

Garry J. Isbister
VP & General Manager
Gemini Engineering Inc.

Blair Harding
Manager
Fabricated Products
Kinetic Projects Ltd.

Stacy G. Smith
Manager
Human Resources
& Information Systems
Gemini Corporation

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Calgary, Alberta T2P 4V5

Registrar & Transfer Agent
Computershare Trust Company of Canada
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Calgary, Alberta T2P 3S8

Stock Exchange Listing
TSX Venture Exchange: GKX

Annual General & Special Meeting

The Annual General and Special Meeting of the Shareholders of Gemini Corporation will be held in the Eau Claire Room of the Westin Hotel, 320-4th Ave S.W., Calgary, Alberta on Tuesday, May 27, 2003 at 3:00 PM (Calgary time). Shareholders are encouraged to attend. Those unable to attend are requested to complete and submit the Proxy Form to the Corporation's registrar and Transfer Agent, Computershare Trust Company of Canada.

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figure B. is a box with unlimited possibilities

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